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Callanan, James H.

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Schenectady, N.Y.

1908

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POSTAL SAVINGS BANKS

PAPER READ BEFORE THE NEW YORK
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JAMES H. CALLANAN OF SCHENECTADY

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THE HISTORY,
SCOPE AND BENEFITS
OF POSTAL SAVINGS BANKS



SCHENECTADY, N. Y.
THE DAILY UNION PRINTING HOUSE
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POSTAL SAVINGS BANKS

James H. Callanan

The clearest and most convincing presentation of this subject suggests its separation into four sub-divisions as follows:

- (1)—The History of Postal Savings Banks.
- (2)—The Plan Proposed for the United States by the Postmaster General.
- (3)—Reasons for Establishing the System in this Country.
- (4)—Arguments of the Opposition are Untenable.

The History of Postal Savings Banks.

Postal Savings Banks have their origin in England. In fact, modern savings banks were really first instituted in Great Britain, in 1810, and but a few years afterward, in 1816, the first ones were established in America, in New York and Philadelphia. It seems that the Postal Savings Bank idea was advanced almost at the same time that the savings bank proposition was agitated, but it was a half century, or not till 1861, before the plan was incorporated into law. Mr. Gladstone has the credit of bringing about its successful consummation, though prominent men throughout England had co-operated with him for years in advocating the project. In 1862 Postal Savings Banks were established throughout Great Britain.

A number of attempts have been made by postmasters general to establish Postal Savings Banks in this country, but none have succeeded. In 1873 Postmaster General Cresswell recommended the adoption of Postal Savings Banks, and President Grant that year in his annual message urged it upon Congress, and at various times bills have been introduced in our national legislature providing for such banks. Postmasters General Gary and Wanamaker also favored the movement, but none has so aggressively and intelligently brought it to the attention of Congress or so forcibly and attractively championed its adoption before the people at large as has our present Postmaster General, Mr. Meyer.

Shortly after England adopted the Postal Savings Bank system, Belgium established it, and the benefits of the innovation so attracted the statesmen and people of other countries of Europe that one by one they fell into line for their institution. During all this time the United States was the only great nation in the world except Germany that withstood the movement. Today, of the important nations, the United States, Germany, Switzerland and Norway alone have no Postal Savings Banks. Germany, Switzerland and Norway, however, have very fair substitutes in the form of state or municipal banks, which fully protect depositors. Throughout all German cities savings banks operated by the municipalities themselves are found, and from the discussion going on now it would appear that that country, too, would soon adopt the postal bank. In Switzerland government savings banks are also operated which give the people ample protection for their deposits.

Japan adopted the plan in 1875, Italy in 1876, France in 1881, The Netherlands in 1881, Austria-Hungary 1882, Sweden 1884, and Russia in 1889. Practically all of the British Colonies throughout the globe operate Postal Savings Banks. I should add that a Postal Savings Bank system is now in operation in the Philippine Islands, sanctioned, of course, by our government. Statistics show that in all of these countries these banks have proven most popular indeed. The systems vary in details, but all are based upon the same general principles, being borrowed from the parent movement in England.

How these postal banks have succeeded in other countries, the following table bears testimony:

	No. of Depositors.	Total Deposits.	Average Deposits.
England and Wales-----	8,777,231	\$662,778,180	\$ 75
Austria -----	1,860,347	94,329,546	50
Belgium -----	2,088,448	146,996,000	73
Canada -----	230,216	62,158,450	270
France -----	3,991,412	253,376,450	63
Hungary -----	525,818	12,273,800	23
India -----	987,635	42,000,000	42
Ireland -----	465,095	47,260,000	101
Italy -----	1,850,691	34,351,631	18
Netherlands -----	1,111,590	22,921,665	20
New South Wales -----	339,602	63,718,675	12
New Zealand -----	297,569	44,195,550	148
Queensland -----	83,055	18,832,000	22
Russia* -----	5,113,000	550,000,000	107
Scotland -----	431,391	25,057,500	58
South Australia -----	141,572	21,089,000	14
Sweden -----	571,500	15,133,955	26
Victoria -----	432,867	52,910,000	119

* State, Municipal, and Postal Savings Banks.

The statistics also show that in most of these countries the deposits have about doubled in the past eight to ten years.

The Plan Proposed for the United States by the Postmaster General.

The system proposed by our Postmaster General in its essential features is taken from the English and Canadian plans, though it does not go so far as that in vogue in Great Britain, as, for instance, to embody facilities at postoffices for the purchase of government bonds, annuities or insurance. It can clearly be seen that such an extension of the idea would not be at all suitable in this country.

The Postmaster General recommends that he be given authority to designate all money order postoffices and others which

he considers necessary, to receive savings deposits, such to be accepted in even dollars, with one dollar as a minimum. Postmasters will receipt for these deposits in pass-books, daily reports thereof to be made to the department at Washington, whereupon each depositor will receive a receipt from the Postmaster General, which shall be a full voucher for his deposit.

It is suggested that these savings deposits shall not be liable to demand, seizure or detention under legal processes against the depositor. Withdrawals, of course, are to be allowed at any time, and I presume that when the details of the plan are fully worked out it will be permissible, as in Canada and England, to deposit at one place and withdraw at any other point in the United States where there is a postal Savings Bank, under certain restrictions and regulations, of course, to protect the department against fraud.

It is proposed to give 2 per cent. interest per annum on deposits, which are to be limited to \$500 by any one person. Any individual ten years or more of age can open an account in his name. A child under ten years of age can have an account opened by a parent or guardian.

In order that this money gathered into Postal Savings Banks shall not be taken from the localities where it was deposited, and thus affect the supply of currency there, these Postal Savings Banks funds are to be deposited by the Postmaster General, with the approval of the Secretary of the Treasury, in national banks to be selected by the Postmaster General, the Comptroller of the Treasury and the Comptroller of the Currency, and located as near as possible to the postoffice where the deposits were made. It is expected that these national banks will pay interest on these deposits at a rate of at least 2 1-2 per cent. per annum. If any of these depository banks become insolvent, the money is not lost to the government, because of the fact that it has been held by the courts, and will undoubtedly be established in the future by statute, that government funds deposited in national banks are a first lien upon the assets thereof. It will be noted that it is expected that the 1-2 per cent. interest per annum will amply cover all expenses for the operation of the Postal Savings Banks. Such expenses will be incurred mostly at Washington, where a force of clerks will have to be maintained to operate the system. It is

not likely that any extra help will be needed at postoffices to carry on the slight additional work, as the money order department undoubtedly can meet all the extra requirements. A slight compensation will probably be allowed postmasters at fourth class offices for the extra work.

These are the main features of the plan thus far worked out by the Postmaster General. Several bills to establish a system of Postal Savings Banks have been introduced in the United States Senate by Senators Knox, Carter and Burkett, which embody the general principles of the plan. The details of its operation, of course, are to be left to the Postmaster General.

Reasons for Establishing the System in this Country.

The reasons for establishing the Postal Savings Bank system in this country are numerous. I concede that because these banks are already in operation in practically all of the great nations of the world, it may be no good reason per se why they should be established here; but it cannot be that so universal an institution has no merit; and at least we should be led to investigate the proposition because of its universal adoption to ascertain whether it may not have benefits which can be extended to the people of this republic. Such investigation, I am sure, must lead to the conclusion that the people of the United States, especially in localities where there are no savings banks, will receive much advantage by the institution of the system throughout our country.

There are two primary benefits which can be obtained through Postal Savings Banks. First, the development of habits of thrift and economy among our people. Second, the establishing of savings institutions in which all the people may have absolute faith and confidence, thus keeping into circulation large sums of money which under present conditions are more or less hoarded here by foreign-born classes and even by many of our own people, or forwarded by foreigners to their native lands.

Directing our discussion to the first proposition, it may be truthfully said that that nation is the most blessed, at least in material things, where the people have accumulated the greatest

amount of savings. The greater facilities that can be provided for the people in any line, the more they will avail themselves of such conveniences. This may be seen with regard to the patronage of steam and electric railways and other means of transportation. The more rails are laid, the more people will ride thereon. The results of the operation of the Rural Free Delivery service bear testimony to this truth in quite as emphatic a manner.

There are few savings banks in this country today to offer convenient depositories for the people's savings as compared with that of other nations. The figures are startling. A partial list is as follows:

Country.	No. of Banks.	One Savings Bank to Every
Belgium -----	987	7,000 "
England -----	15,000	3,000 persons
France -----	7,697	5,000 "
Italy -----	5,143	7,000 "
Sweden -----	3,958	1,250 "
United States -----	1,237	67,000 "

By these figures it will be noted that, in order that the United States can adequately serve the people with savings bank facilities so as to average a per capita deposit of say seventy-five dollars, which is the average amount in England, there would have to be at least fifteen thousand savings banks instead of only one thousand two hundred and thirty-seven scattered throughout our land. We have in this country fifteen thousand three hundred and fifty-five commercial banks, showing that commercial depositors are well provided for, while our wage earners and others whose accounts must be small, have very limited facilities. With postoffice banks in every city and town, the remedy must be easily provided.

Why should not this great country, with all its wealth, have a greater percentage of savings bank depositors than any other? To be sure, we have the highest per capita amount of deposits by great odds, but we should also have the greatest percentage of depositors, and we **would have** with postal banks. The following table is of interest to support what I have stated:

Country.	Population.	Depositors.	Per Cent.
Belgium -----	7,000,000	2,200,000	33
England -----	43,060,000	11,000,000	25
Italy -----	33,000,000	6,700,000	20
France -----	39,000,000	11,000,000	28
Sweden -----	5,000,000	2,000,000	40
United States -----	83,000,000	7,500,000	9 1-3

These figures are certainly most significant. The only explanation that can be given is that there is a lack of facilities in this country, and not because we lack the prosperity to make the savings possible if our people had the proper advantages. It would surely be but a very few years, if we had Postal Savings Banks, before our percentage of depositors would be far greater than that of any other nation.

Statistics show that 38 per cent. of all the savings banks deposits in the United States are in New York State, 33 per cent. in the New England States, 19 per cent. in Massachusetts, about 8 per cent. in California, 4 per cent. in Pennsylvania, 5 per cent. in Illinois, 4 per cent. in Iowa and about 8 per cent. in all the remaining states of the Union. Throughout the New England States the location of postoffices averages about fifteen miles from a savings bank, in the Middle States twenty-five miles, in the Southern States thirty-three miles, and in the Pacific Slope States fifty-five miles. Can any one not see that there are very limited savings bank facilities for the masses except in our thickly populated states? Why should not the people in these sparsely populated regions be encouraged or have opportunity to save of their earnings? We cannot expect ordinary savings banks to be established in these places. It would not be profitable.

Undoubtedly the more the people save, the better we can combat socialistic tendencies. With a satisfactory savings bank deposit held by most families throughout our nation, there would be little inquiry or discussion along socialistic lines by the masses who, today, I fear, are too prone to accept the theories of the socialist agitator whose argument that one should eat bread by the sweat of another's brow falls on fertile ground with those who live from hand to mouth and have nothing laid up for a day of

need. No nation can make a mistake by encouraging thrift and economy and the opening of individual savings bank accounts.

The second benefit to result from Postal Savings Banks, that is, the providing of a depository in which the people will have absolute confidence, applies, of course, more to foreigners than to our native population. We must all appreciate to some extent that the class of immigrants coming from Europe today is far different from that of twenty-five or more years ago. In those days our immigrants came mostly from the Scandinavian Peninsula, the British Isles, Germany and France, while today they are attracted to our shores principally from Russia, Austria-Hungary, Italy and Turkey. This indicates a vast and distinct change in races and civilization. It shows on the one hand people years ago coming from countries where popular government abounds, while now they come from absolute monarchies. In the old time they came from lands where universal education prevailed, while now they come from countries where illiteracy abounds. Skilled labor emigrated to our shores years ago. Now there are thousands of the unskilled class, scarcely a generation removed from serfdom. The western countries of Europe, so closely allied to us by blood ties, no longer furnish us with workers, but they come from the eastern confines of Europe and are absolutely foreign to our civilization.

I am not prepared to say that we should check this immigration except so far as the criminal, the diseased and hopelessly indigent classes may be eliminated, because we need the unskilled hand to toil in the further expansion of this prosperous country. The rapid assimilation of these varied nationalities with our people is astonishing. Nowhere else on earth can it be so satisfactorily and completely accomplished. But these facts referred to should attract the attention of every one of our citizens interested in our sociological conditions. These newer classes of immigrants are imbued with no democratic ideas. The atmosphere of monarchy still sticks to them, and they naturally do the things which they have been taught at their old homes gives them the best protection.

Why, then, is it strange that they do not always patronize our savings banks? Is it unnatural that they should so often send money earned here back to their native land, where Postal Sav-

ings Banks exist, to be deposited there in those very institutions? If we had the Postal Savings Banks here, would it not be reasonable to expect that they would patronize them, and thus keep that money here? Each of us, no doubt, knows of a number of cases where foreigners carry hundreds of dollars about their persons for months at a time.

Last year about ninety millions of dollars were sent abroad through our postoffice money order department. Suppose one-half of this had been retained in this country through the means of the Postal Savings Banks, would it not have done considerable toward relieving the stringency of our money market in last fall's panic? This money probably was in a large measure sent out from this country during the last six months of the calendar year. In the Schenectady office alone an unusual amount was transmitted abroad after the factories began to lay off men beginning with the midsummer months.

Much has been said during the past few months about the necessity for a more elastic currency, and I believe that the Postal Savings Bank system would do something toward remedying that matter. Foreigners are not the only persons who hoard money. There is more or less money stored away in hiding at all times, but particularly during financial scare periods. It has been estimated that about five hundred millions of dollars are hoarded constantly by people of this country who distrust banking institutions, but who have absolute faith in the credit and protection of the government. I know of one woman, the wife of a prosperous merchant, who, having no faith in banks, secreted nearly \$4,000 about the house unknown to her husband, it being found when she died, about six months ago. If even half the total amount of hoarded money could find its way into circulation through the Postal Savings Banks, what a laudable benefit to the country's money conditions, especially in times of stringency, it would be.

To indicate how people lack confidence in banking institutions in panic times, (and I do not desire to reflect at all upon the stability of our banks, because they are the best in the world) I have absolute testimony to the effect that in a Pacific Coast city, no longer ago than last summer, a citizen drew ten thousand dollars from one of the local banks, and at the local postoffice pur-

chased United States money orders, paying thirty dollars therefor, and retained them in his possession until the scare was over. This, of course, is an extreme case, but there are numerous cases in every community of a similar character, though involving smaller amounts. Of course, no man would keep such a great amount of money in the Postal Savings Bank indefinitely, because it would pay him better to put his money into a regular savings bank or invest it, but when panics occur there is no influence on earth that can prevent individuals from becoming alarmed at the safety of banks. Therefore, the argument that the Postal Savings Banks would attract a great amount of money at all times, simply for safe keeping, is not tenable. In such exigencies the postal banks would be largely availed of only when the banks could not meet the conditions.

There is ample indication that it is not the intention of the government to go into the banking business or to compete with existing savings institutions, in the fact that it is proposed to pay but two per cent. interest per annum, as against three and one-half per cent. to four per cent. paid by savings banks throughout the country.

There are numerous other reasons why the Postal Savings Banks would be beneficial to our people, but I have attempted to give only the important and essential arguments. Before concluding I desire to give a few minutes to a discussion of the objections raised by the opponents of the system.

Arguments of the Opposition Are Untenable.

First we have those who are very fearful lest there be too much centralization at Washington, or lest the government practice paternalism. It is even asseverated that in this movement will be seen the ugly head of socialism. I consider this argument quite absurd. It might just as well be said that our Postoffice Department or the present national bank system comes under the head of this much feared phantom. Personally, I am absolutely opposed to the government entering upon the operation of any business or utility which can just as well be conducted by individual or corporate enterprise. Sorry will be the day for this country when

socialism as a system of administration in any form is permitted within its confines. The sufficient and only answer to this charge of paternalism is that in no way can the needs of the people for better facilities for the deposit of their savings be met, than by the institution of the Postal Savings Banks.

The savings bank men of the United States in their national councils have admitted that the savings banks at present cannot provide the advantages demanded, and for several years they have been considering ways and means for furnishing the proper banking facilities so as to forestall action by Congress for the institution of the Postal Savings Bank system. No further answer to this objection is at all necessary.

I have read with very great interest the debates in the printed proceedings of the Savings Banks Section of the American Bankers' Association, particularly of their meeting at Atlantic City last September. The savings bank men ought not to oppose this movement for Postal Savings Banks. Their fear of being injured is unfounded. In their discussions some ignorance of the project is manifest. For instance, one banker who read a paper before the convention, raised the objection that the money in Postal Savings Banks would thereby be withdrawn from circulation and hoarded by the government. It is well known that it is proposed to put this money back into circulation by depositing it in national banks.

Another objection raised was that it would mean a constantly increasing government debt. This is ridiculous, because the plan proposed would mean no government debt at all, but simply the protection by the government of the funds, and there can be no contingency arising in this great country wherein the government could not refund within a reasonable time all the deposits held in the Postal Savings Banks.

It would undoubtedly be true that many people who deposit money in Postal Savings Banks would, when the amount reached a fairly good sized figure, withdraw and deposit in savings banks where they can get a greater rate of interest. In this way the Postal Savings Banks will be a feeder to or a support of other savings institutions.

I confess that I would not be so enthusiastic in support of the Postal Savings Banks if I thought it would injure present

savings institutions. I believe there is an abundant field for both. The benefits resulting from the savings bank do not lie alone in the fact that a means is provided thereby for the care of the savings of the people. A savings bank in a community where one can thrive is also of inestimable value in the sense that loans are made upon property which provide homes for thousands of people. Without these institutions, loans for the building of a home might be difficult to secure; and what adds more glory to our national escutcheon than the fact that more of the working classes own their homes in this country than in any other nation of the world? As a matter of fact, the savings banks need have no real fear of the postal banks.

Of course, the effect of postal banks upon regular savings institutions would depend very largely upon the relative rates of interest allowed. I haven't any doubt that if in this country the government should raise the rate of interest beyond that or even equal to that which savings banks are paying, it would make considerable inroads in the business of the latter, but as stated before, there is no intention to do this, and I cannot see why there should be any fear in this particular. In England, in 1861, when savings banks were instituted, deposits therein reached their highest limit. Since that time these institutions have been declining; but the reason is plain. In England the Postal Savings Banks allow 2 1-2 per cent. interest and the regular savings banks only 2 pounds and 15 shillings per hundred, or 2 3-4 per cent. The English savings bank business is hedged about by unusual restrictions, so that the injury done to them by the postal banks is still further emphasized. Then, too, the opportunity for savings bank investments is not so good in England as in this country, due, of course, to a considerable extent to our very rapid commercial expansion.

In France we find somewhat different conditions and effects. The French are the most frugal and thrifty people on the globe. The French peasantry love agriculture and the various handicrafts, and it is well known how scrupulously careful they are of their savings. The French savings banks pay on an average of 2 1-2 per cent. interest, or only the same as paid by the postal banks. Still, unlike the conditions in England, very little, if any, effect upon the former institutions has been noticed; and France,

with her small territory as compared with our great area, has 2,011 regular savings banks, as compared with only 1,237 in the United States.

In Canada the conditions bear even stronger testimony, though the rate of interest paid by the postal banks is the same as that paid by other banks on savings deposits, or three per cent. The operation of the postal banks has tended to encourage thrift and has in this way contributed to the great increase which has been made in deposits in the ordinary chartered banks. This opinion is confirmed by the judgment of the Deputy Postmaster General of the Dominion, with whom I have very recently corresponded.

In my judgment the establishment of Postal Savings Banks in this country is not remote. It is a popular movement already. The Postmaster General himself, alive to the need of this innovation, is showing commendable forethought and enterprising statesmanship in making this subject one of the principal matters presented to the people in his public addresses. It should be the aim of all intelligent citizens to get the most accurate and reliable information obtainable on this important topic, and I know of no class of people upon whom the responsibility for a full equipment of knowledge regarding it, falls so directly as upon postmasters. It should be our duty to have accurate knowledge of all phases of the subject, to meet inquiries intelligently, and to be able to refute objections that may be raised to it. Publicity will add to the strength of the movement. No project deserves success which cannot endure the light of public discussion.

We ought not, of course, to adopt what other nations have done, simply because they have approved, but certainly when such an institution is conceded by intelligent and patriotic men everywhere, who have investigated the subject, to be a desirable consummation, then it is not to our credit to lag behind in this particular in the great onward movement of the enlightened nations of earth.

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